

FEDERAL GRAIN, LIMITED

Twelfth Annual Report of the Directors

YEAR ENDED 31st JULY, 1941

TO THE SHAREHOLDERS:

Your Directors present herewith Financial Statements for the year ended 31st July, 1941, including the Balance Sheet, certified by your Auditors Messrs. George A. Touche & Company.

Statement of Income and Expenditure shows a net profit of \$230,587.88, after meeting all expenses including depreciation and bond interest. A reserve of \$155,000.00 has also been provided for Income and Excess Profits Taxes. The Net Profit has been placed to the credit of Earned Surplus Account.

Working Capital is reduced by \$112,617.30 compared with the previous year. This is accounted for through the erection of essential temporary country and terminal storage space and the acquisition of 28 additional country elevators at advantageous points. Your Company erected 7,000,000 bushels of storage space in the form of country elevator annexes and built 5,500,000 bushels of temporary terminal elevator storage at the head of the lakes. This latter storage was constructed under arrangement with the Canadian Wheat Board, the Dominion Government and other elevator companies, in order to provide space to accommodate the 1940 crop and to house the crop now being harvested. Your Company now operates 438 country elevators and 15,025,000 bushels of terminal storage space.

Bank loans of \$7,734,000.00 are due to the large volume of grain carried in store in the company's elevators.

First Mortgage Bonds of the par value of \$161,000.00 were redeemed during the year in accordance with Sinking Fund provisions. The total amount of Company bonds redeemed is now \$1,462,000.00.

Substantial amounts were expended during the year on installation of modern equipment and in renewals in keeping the company's properties in good operating repair.

The Company enjoyed a satisfactory handling of grain through its country and terminal elevators which resulted in the improved showing over previous years. Our handling for the current year will be reduced on account of the government's policy of encouraging reduction in wheat acreage and the poor crop returns over large areas of Western Canada.

A dividend of \$2.00 per share on the 30,000 outstanding Preferred shares has been declared by your Directors, payable November 1st next, to shareholders of record October 15th. This is the first payment since February 1st, 1931, and it is hoped that further payments will be possible as conditions warrant.

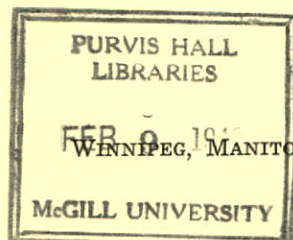
Pursuant to the recommendations of the Dominion Department of Labor, the Company is paying to all employees, with the exception of Executive officers, the cost of living bonus, as set forth under the provisions of Order-in-Council No. 7440. With the increasing living costs of recent months this amounts to an appreciable added expense in the company's operations.

Your Directors desire to express appreciation of the efficient services and devotion to duty of all employees. The company is proud of the fact that many of its staff have joined the Canadian Forces. Those who have remained at home are loyally subscribing to various War funds and are investing in Victory Bonds and War Savings Certificates.

All your Directors retire at the ensuing Annual General Meeting and are eligible for re-election.

On behalf of the Board of Directors,

H. E. SELLERS,
President.



WINNIPEG, MANITOBA, 23rd September, 1941.

FEDERAL GR

BALANCE SHEET

ASSETS

CURRENT ASSETS:

CASH at Banks, less Outstanding Cheques.....	\$ 88,281.63
CASH in transit and with Paying Agents, etc.....	133,212.32
Dominion of Canada War Loan Bonds—Par Value \$100,000.00, at cost....	100,000.00

ACCOUNTS RECEIVABLE:

The Canadian Wheat Board—re Farm Storage.....	\$ 61,178.64
General Accounts.....	35,529.22
Agents' Cottage Loans.....	5,344.39
Employees' Accounts.....	736.65
	102,788.90

ADVANCES SECURED BY GRAIN.....	267,089.40
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STOCKS ON HAND, AS CERTIFIED BY RESPONSIBLE OFFICIALS:

Wheat purchased for account of The Canadian Wheat Board: valued on the basis of Board prices less freight, etc.....	\$8,212,059.30
Grain, less stored grain: valued on the basis of market quotations of 31st July, 1941, less freight, etc.....	974,860.22
Coal, Sacks and Feed Grain: valued at the lower of cost or market..	35,386.19
	9,222,305.71

ACCRUED EARNINGS.....	178,511.83
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PREPAID EXPENSES.....	19,388.74
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\$10,111,578.53

MORTGAGE RECEIVABLE, arising out of sale of terminal elevator.....	290,388.83
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INVESTMENTS:

In Shares of Grain Trade Organizations, at book values.....	\$ 44,903.94
In Marketable Securities (Market Value \$17,959.25).....	25,591.55
	70,495.49

BONDS OF THE COMPANY purchased in anticipation of Sinking Fund	
Par \$60,000.00 — cost.....	59,190.65

MEMBERSHIPS, at cost.....	86,001.00
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PROPERTIES:

Terminal and Country Elevators, Temporary Bins, Coal Sheds, Dwellings, Flour Sheds, Automobiles, Furniture and Miscellaneous Equipment, at cost.....	\$8,794,320.27
Less Reserve for Depreciation.....	3,049,530.49
	\$5,744,789.78
Temporary Country Storage Bins, less amount written off.....	208,917.09
Distress Storage Bins — Ft. William — in process of construction, amount expended to date.....	267,913.41
	6,221,620.28

\$16,839,274.78

AUDITOR

To the Shareholders,
Federal Grain, Limited, Winnipeg.

We have examined the foregoing Balance Sheet of Federal Grain, Limited with the books and vouchers.
We further report that in our opinion the Balance Sheet is properly drawn up so as to exhibit a true and correct statement of the assets, liabilities and the explanations given to us, and as shown by the books of the Company.

Winnipeg, 19th September, 1941.

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STATEMENT I

AT 31st JULY, 1941

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:

Bank Loans (secured).....	\$ 7,734,000.00
Sundry Creditors.....	1,111,419.16
Accrued Taxes, including provision for Income Taxes and Excess Profits Tax on profit for the year ended 31st July, 1941.....	206,326.61
	<u>\$ 9,051,745.77</u>

FIRST MORTGAGE SINKING FUND GOLD BONDS:

Authorized	<u>\$6,000,000.00</u>	
Issued, Series A 6%, maturing 1st August, 1949.....	\$4,250,000.00	
Less Redeemed through Sinking Fund.....	1,462,000.00	
	<u>2,788,000.00</u>	
BOND REDEMPTION RESERVE		129,733.86

CAPITAL:

Authorized—

40,000 6½% Cumulative Preference Shares of \$100.00 each,
redeemable at the option of the Company
160,000 Class A Common Shares of No Par Value.....
40,000 Class B Common Shares of No Par Value.....

Issued and fully paid—

30,000 Preference Shares	\$3,000,000.00	
200,000 Common Shares		
Amount apportioned as Capital.....	1,250,000.00	
	<u>4,250,000.00</u>	

DISTRIBUTABLE SURPLUS:

Balance at 31st July, 1940—unchanged.....	\$ 295,065.77
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EARNED SURPLUS:

Balance at 31st July, 1940.....	\$ 94,141.50	
Add Profit for the year ended 31st July, 1941—		
Per Statement II.....	230,587.88	
	<u>324,729.38</u>	
		619,795.15

CAPITAL COMMITMENT in respect of Distress Storage Bins—Ft. William—

Estimated	<u>\$ 180,000.00</u>
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Cumulative Preference Dividends not paid since 1st February, 1931.

Approved on behalf of the Board,

H. E. SELLERS, *Director.*

T. H. RATHJEN, *Director.*

\$16,839,274.78

AUDITORS' REPORT

ers relating thereto, and we report that we have obtained all the information and explanations we have required.
ue and correct view of the state of the Company's affairs at 31st July, 1941, according to the best of our infor-

GEORGE A. TOUCHE & CO.,
Chartered Accountants,
Auditors.

Federal Grain, Limited

STATEMENT OF INCOME AND EXPENDITURE

For the Year Ended 31st July, 1941

Income from the Company's operations after meeting all expenses including Depreciation \$453,240.61, amount written off Temporary Country Storage Bins \$208,917.10 and Executive Salaries and Legal Fees \$52,093.10, but before taking into account the items shown below.....	\$520,391.99
Income from Investments.....	46,077.09
	<u>\$566,469.08</u>
Less: Bond Interest.....	\$164,035.07
Bond Interest Premiums.....	17,651.35
Directors' Fees.....	2,400.00
	<u>184,086.42</u>
Operating Profit, before providing for Income Taxes and Excess Profits Tax..	\$382,382.66
Less: Provision for Income Taxes and Excess Profits Tax.....	155,000.00
	<u>\$227,382.66</u>
Add: Surplus on fire loss adjustment, etc. (net).....	3,205.22
	<u>\$230,587.88</u>

DIRECTORS

H. E. SELLERS, *President and Managing Director.*

A. THOMSON, *Vice-President.*

T. H. RATHJEN, *Treasurer.*

H. J. SYMINGTON

A. H. WILLIAMSON

W. A. ANDERSON

J. R. MURRAY

F. E. TOPPER

V. W. TRYON

Secretary: R. C. GAGE

Registrar.....THE ROYAL TRUST COMPANY, Toronto, Montreal and Winnipeg.

Transfer Agents.....
 { THE MONTREAL TRUST COMPANY, Toronto and Montreal;
 { THE NORTHERN TRUSTS Co., Winnipeg.

Auditors.....GEORGE A. TOUCHE & Co.

Solicitors.....HUDSON, ORMOND, SPICE, SWIFT & McLEOD.